

**South Carolina
Forestry Commission
Columbia, South Carolina**

**State Auditor's Report
For the years ended June 30, 2020 and 2021**



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 15, 2021

Mr. Scott Phillips, State Forester
and
Members of the South Carolina Forestry Commission
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Forestry Commission (the Commission) for the fiscal years ended June 30, 2020 and June 30, 2021. The Commission's management is responsible for the systems, processes and behaviors related to financial activity.

The Commission's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission for the years ended June 30, 2020 and June 30, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Commission's management. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the Commission and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the governing body and management of the Commission, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina Forestry Commission (P12)

The following procedures were performed for the fiscal year ended June 30, 2020:

Reporting Packages

1. Inspect the June 30, 2020 fiscal yearend reporting packages submitted to the Office of the State Comptroller General (CG). Compare responses in the Master Reporting Package Checklist and any required supplemental information to yearend reporting packages submitted to the CG, the South Carolina Enterprise Information System (SCEIS) and Commission prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
2. In addition to the procedure above, perform the following for fiscal year 2020:
 - **Grants and Contributions Revenue Reporting Package**
 Haphazardly select five grants and agree the reported beginning and ending fund balances, qualified expenditures, fund, grant number, Assistance Listing number, and other accrual adjustments to the SCEIS general ledger and SCEIS *Display Grant Master*. Inspect the deferred revenue reported on the *Grants Receivables and Deferred Revenue Summary Form* to determine if the amount is properly classified, calculated, and reported.
 - **Inventory Reporting Package**
 Agree amounts to the SCEIS *Yearend Reporting - Inventory* report. In addition, agree the Commission's reconciliation of physical inventory to the SCEIS general ledger and Commission prepared records.
 - **Other Receivables Reporting Package**
 Agree reported amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report and Commission prepared records.
 - **Accounts Payable Reporting Package**
 Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting - Prior Year Payables with Vendor* report and Commission prepared records. Haphazardly select five payables and determine if the amounts were properly classified, calculated, and reported.
 - **Subsequent Events Questionnaire**
 Compare responses and any required supplemental information to the SCEIS general ledger and Commission prepared records.

Findings

Grants and Contributions Revenue Reporting Package – The June 30 ending balance for two grants and deferred revenue were overstated by \$14,588. The Commission improperly reported the payable amount on June 30 for each grant as a debit instead of as a credit.

Subsequent Events Questionnaire – The Commission understated late leave submissions by \$1,246.

Reporting Packages (Continued)

Management's Responses

Grants and Contributions Revenue Reporting Package– We concur with this finding and will accurately account for payables in the future with more detailed reviews. We will also provide additional training related to year-end procedures.

Subsequent Events Questionnaire– We acknowledge that we did not capture all late leave submissions posted to SCEIS after year-end when we reported our late leave submissions to the CG. We will run the proper reports for the full year to make sure we capture and report all late leave submissions. This process will be added to our year-end procedures including notifications to staff to input leave.

The following procedures were performed for the fiscal year ended June 30, 2021:

Cash Receipts/Revenues

3. Haphazardly select eight fiscal year 2021 cash receipts transactions and inspect supporting documentation to determine:
 - The transactions agree with the general ledger as to amount, date, payor, and account classification.
 - Receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2021 Appropriations Act.
 - Both revenue collections and amounts charged are properly authorized by law.
 - Receipts are recorded in the proper fiscal year.

Finding

The Commission did not document receipt dates of three receipts totaling approximately \$205,152.

Management's Response

We concur with this finding and will update our procedures for deposits to ensure all revenue received is deposited in a timely manner. The locations have now been trained to keep a log noting the date the receipts occurred to document the timely deposits.

Cash Disbursements/Non-Payroll Expenditures

4. Haphazardly select twelve non-payroll fiscal year 2021 disbursements and inspect supporting documentation to determine:
 - The transactions are properly completed as required by Commission procedures and invoices agree with general ledger as to vendor, amount, and date.
 - All supporting documents and approvals are present and agree with the invoice.
 - The transactions are actual expenditures of the Commission.
 - The transactions are properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are in accordance with the requirements of the program, incurred during the approved grant period, and applied uniformly to both federally assisted and other activities of the recipient.
5. Haphazardly select five purchasing card transactions from the CG listing of purchasing card transactions for fiscal year 2021 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Commission policies.
 - The purchases are authorized based on the cardholder's job title/position.

Cash Disbursements/Non-Payroll Expenditures (Continued)

- The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
- The purchases did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

6. Haphazardly select five employees who terminated employment during fiscal year 2021 to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, and that their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.
7. Haphazardly select five employees hired during fiscal year 2021 to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first paycheck was properly calculated in accordance with applicable State law.

Finding

The first paycheck for one new hire was improperly calculated resulting in an underpayment of \$180.

Management's Response

We agree that the employee was underpaid on their first paycheck. Our normal practice when entering a new employee's salary is to manually calculate the semi-monthly salary to ensure it is accurate with the salary amount entered into SCEIS. While we ran the new employee's SCEIS payroll simulation and SCEIS payroll remuneration, we did not manually calculate to ensure the employee's pay was accurate. This was an isolated human error. In the future, we will ensure our process is followed by providing employees additional training and performing a review.

Journal Entries and Transfers

8. Haphazardly select four fiscal year 2021 journal entries and one transfer and inspect supporting documentation to determine:
 - Postings in the general ledger agree to supporting documentation.
 - Transaction is properly approved.
 - The purpose of the transaction.

We found no exceptions as a result of the procedure.

Assets and Personal Property

9. Haphazardly select five fiscal year 2021 capital asset acquisitions and inspect supporting documentation to determine that each asset was properly capitalized and recorded in the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
10. Haphazardly select three fiscal year 2021 capital asset retirements and inspect supporting documentation and the SCEIS *Asset History Sheet* to determine that each asset was approved for removal and that the asset was properly removed from the Commission's general ledger in accordance with the CG's Reporting Policies and Procedures Manual.

Assets and Personal Property (Continued)

11. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Commission property, excluding expendables, was completed during fiscal year 2021 as required by South Carolina Code of Laws Section 10-1-140.

Findings

Five capital asset acquisitions were improperly capitalized. The Commission understated the capitalized value of one asset by \$8,180. Additionally, four assets that were valued between \$2,500 and \$4,999, should have been tagged and tracked in SCEIS as low value assets instead of being capitalized.

One capital asset was sold in fiscal year 2017 but was not removed from the general ledger until fiscal year 2021.

The Commission did not properly sign and date all of its inventory count documentation. Therefore, we were unable to confirm that the Commission completed its annual personal property inventory count in fiscal year 2021.

Management's Response

We concur with these findings. We will improve our process to accurately classify all assets and retire assets in a timely manner. Additionally, we will make sure all inventories are signed and dated when completed. We will provide additional training to employees, update these steps in our policies and procedures, and include a review process.

Litigation

12. Haphazardly select five transactions from the fiscal year 2021 SCEIS *Yearend Reporting - Litigation* report to determine that charges were properly approved, and amounts charged were within the approved limits and service date range.

We found no exceptions as a result of the procedure.

Status of Prior Findings

13. Through inquiry of management and inspection of supporting documentation, determine the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the Commission has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year, except for the **Assets and Personal Property** finding above regarding the understatement of the value of an asset.